



Cracking Cartels With Leniency Programs

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The Single Greatest Investigative Tool

- Since its revision in 1993, the Antitrust Division's Corporate Leniency Program has been the Division's most effective investigative tool
- Cooperation from leniency applicants has cracked more cartels than all other tools at our disposal combined -- searches, FBI "drop-in" interviews, informants, Interpol red notice watches, etc.

Benefits of a Leniency Program

- A company will admit conduct before investigation is opened or turn on others after investigation underway
- Provide critical cooperation of inside participants
- Access to documents regardless of location
- Access to witnesses regardless of nationality
- May provide opportunity for covert operations

The Success of the Leniency Program

- Led to detection and dismantling of the largest global cartels ever prosecuted and resulted in record-breaking fines in the U.S., EU, Canada, Australia, and elsewhere
 - In US, resulted in over \$2 billion in criminal fines; EU figure even higher
- Many of these cartels would not have been cracked and may have remained undetected to this day without the lure of leniency
 - E.g., the “Vitamins, Inc.” cartel

Sample Investigations Advanced By Leniency

(U.S. fine figures only)

• Vitamins	
• F. Hoffmann-La Roche -	\$500 Million
• BASF	\$225 Million
• DRAM	
• Samsung	\$300 Million
• Hynix	\$185 Million
• Infineon	\$160 Million
• Graphite Electrodes	
• SGL	\$135 Million
• Mitsubishi	\$134 Million
• UCAR	\$110 Million
• Fine Arts Auctions	
• Sotheby's	\$ 45 Million

The Carrot

- Huge incentives to be the first to self report and implicate the other conspirators
 - No charges filed against the company
 - No charges filed against cooperating employees
 - No criminal or administrative fine
 - Promise of confidentiality

The Stick

- Full immunity is only available to the first company to self report and meet the conditions of the program
- The second company - even if second by only a matter of minutes or hours as has been the case - and those that follow (as well as their executives) face severe sanctions

The Race



- The winner-take-all approach creates distrust and panic within the cartel and *destabilizes* it
- There is no honor among thieves
- With the stakes so high, the cartel members can no longer afford to trust one another and go back to being cutthroat competitors
- The “empty seat at the table” scenario
- Individual exposure creates a race between the company and its own employees

Leniency Programs Are Uniquely Designed for Fighting Cartels

- Leniency programs would make no sense for most other offenses
- Cartels are inherently difficult to prove - you need an insider willing to cooperate
- Cartels are conspiracies – so always other remaining companies/individuals left to prosecute after the first one reports the conduct

Cornerstones of an Effective Leniency Program

- Threat of Severe Sanctions
- Heightened Fear of Detection
- Transparent Application of Program

The Threat of Severe Sanctions

- Avoiding the risk of prison is the greatest inducement to self reporting
- The EU's success relying on heavy fines
- *BUT* the threat of criminal sanctions will act as a *DISINCENTIVE* to reporting unless policy is clear in advance that public prosecutor will not prosecute leniency recipients

Cultivating a Fear of Detection

- Cultivating a fear of detection requires a demonstrated track record of cracking cartels
- Over 50% of our international investigations initiated as result of a lead generated in completely separate market (see cartel profiling, amnesty plus, and penalty plus policies)

Transparency is Essential

- If company cannot predict how it will be treated, it is far less likely to report
- Experience of US and others with failed programs
- 20-fold increase in U.S. applications after we revised our program to make it more transparent and predictable

Resources

- U.S. Corporate Leniency Documents and Speeches available at <http://www.usdoj.gov/atr/public/criminal.htm>
- ICN Cartel Working Group Website <http://www.internationalcompetitionnetwork.org/cartels.html>
- Request a Free Copy of DVD from 2004 ICN Leniency Workshop:

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